

# **2019 Third Quarter Earnings Conference**

*October 17, 2019*

# Agenda

- **Welcome** Elizabeth Sun
- **3Q19 Financial Results and 4Q19 Outlook** Wendell Huang
- **Key Messages** Wendell Huang
- **Q&A** C.C. Wei

# Safe Harbor Notice

- TSMC's statements of its current expectations are forward-looking statements subject to significant risks and uncertainties and actual results may differ materially from those contained in the forward-looking statements.
- Information as to those factors that could cause actual results to vary can be found in TSMC's Annual Report on Form 20-F filed with the United States Securities and Exchange Commission (the "SEC") on April 17, 2019 and such other documents as TSMC may file with, or submit to, the SEC from time to time.
- Except as required by law, we undertake no obligation to update any forward-looking statement, whether as a result of new information, future events, or otherwise.

# Statements of Comprehensive Income

## Selected Items from Statements of Comprehensive Income

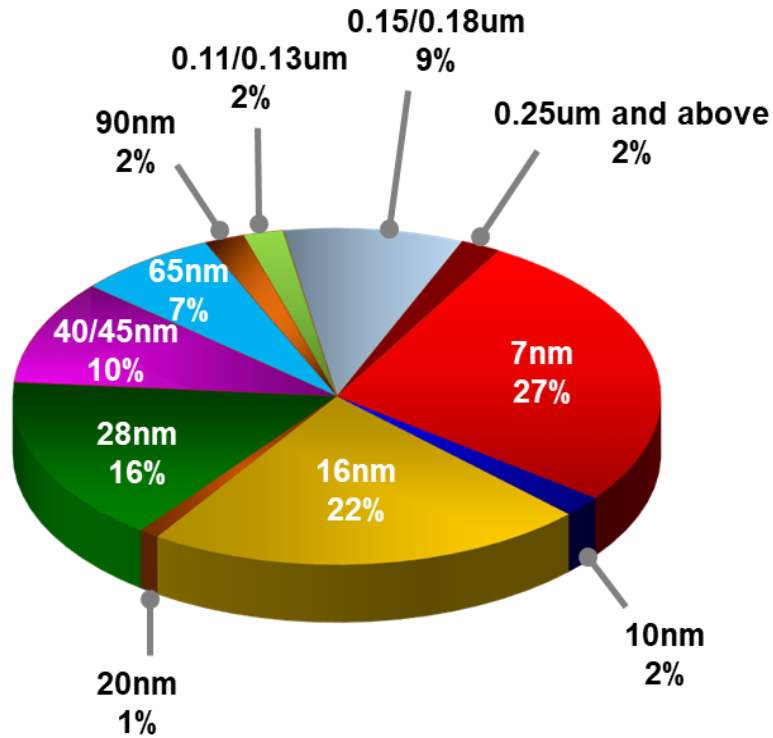
(In NT\$ billions unless otherwise noted)

	3Q19	3Q19 Guidance	2Q19	3Q18	3Q19 over 2Q19	3Q19 over 3Q18
Net Revenue (US\$ billions)	9.40	9.1-9.2	7.75	8.49	+21.3%	+10.7%
Net Revenue	293.05		241.00	260.35	+21.6%	+12.6%
<b>Gross Margin</b>	<b>47.6%</b>	<b>46.0% - 48.0%</b>	<b>43.0%</b>	<b>47.4%</b>	<b>+4.6 ppts</b>	<b>+0.2 ppt</b>
Operating Expenses	(31.38)		(27.17)	(28.13)	+15.5%	+11.6%
<b>Operating Margin</b>	<b>36.8%</b>	<b>35.0% - 37.0%</b>	<b>31.7%</b>	<b>36.6%</b>	<b>+5.1 ppts</b>	<b>+0.2 ppt</b>
Non-Operating Items	4.45		4.25	3.65	+4.9%	+21.8%
Net Income to Shareholders of the Parent Company	101.07		66.77	89.07	+51.4%	+13.5%
<b>Net Profit Margin</b>	<b>34.5%</b>		<b>27.7%</b>	<b>34.2%</b>	<b>+6.8 ppts</b>	<b>+0.3 ppt</b>
EPS (NT Dollar)	3.90		2.57	3.44	+51.4%	+13.5%
ROE	25.7%		16.2%	23.2%	+9.5 ppts	+2.5 ppts
Shipment (Kpcs, 12"-equiv. Wafer)	2,733		2,308	2,712	+18.4%	+0.8%
Average Exchange Rate--USD/NTD	31.19	31.00	31.11	30.68	+0.2%	+1.7%

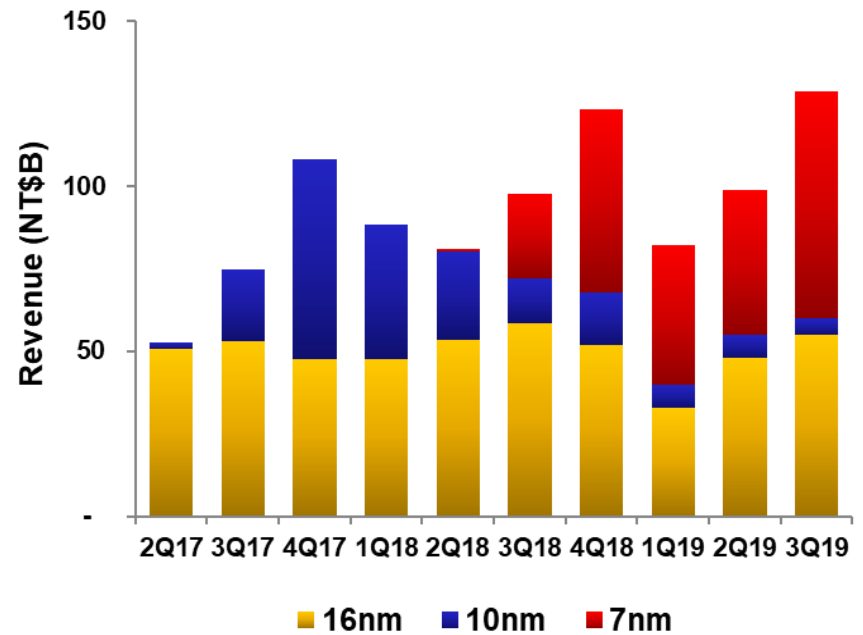
\* Diluted weighted average outstanding shares were 25,930mn units in 3Q19.

\*\* ROE figures are annualized based on average equity attributable to shareholders of the parent company.

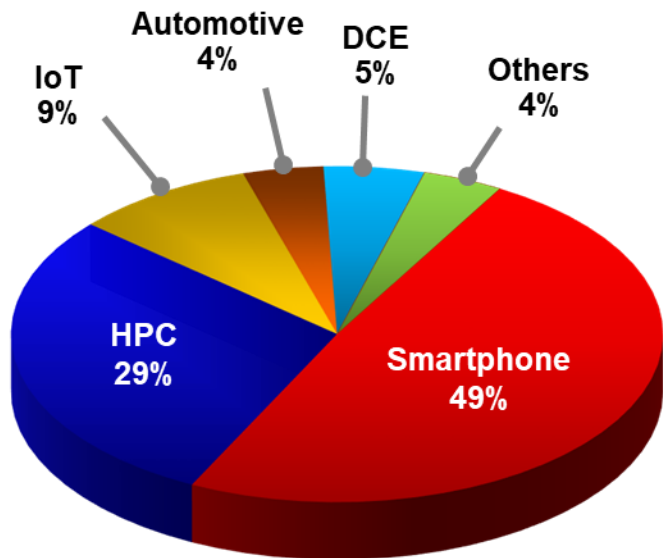
# 3Q19 Revenue by Technology



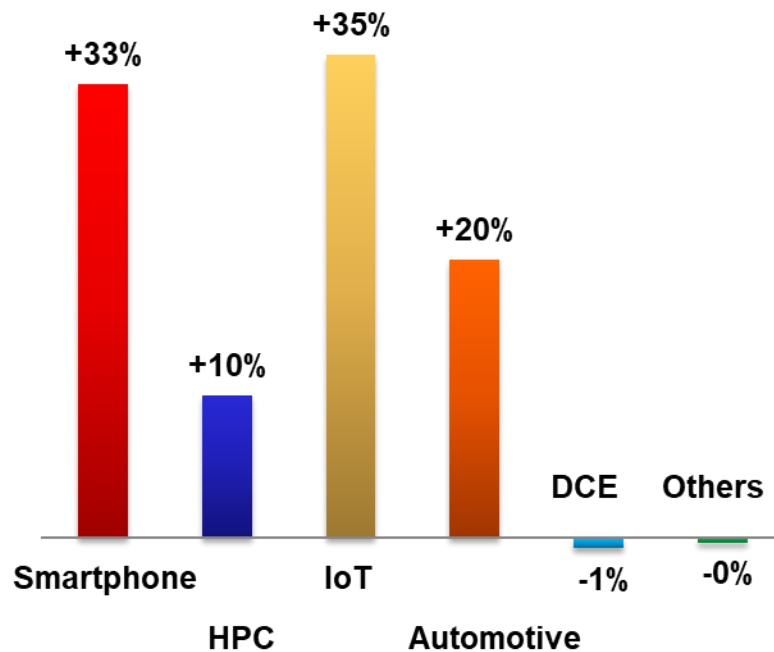
16nm and Below Revenue



# 3Q19 Revenue by Platform



Growth rate by Platform (QoQ)



# Balance Sheets & Key Indices

## Selected Items from Balance Sheets

(In NT\$ billions)

	3Q19		2Q19		3Q18	
	Amount	%	Amount	%	Amount	%
Cash & Marketable Securities	584.92	27.4%	764.62	34.1%	604.02	30.7%
Accounts Receivable	145.42	6.8%	116.13	5.2%	129.54	6.6%
Inventories	96.69	4.5%	108.23	4.8%	105.34	5.3%
Long-term Investments	30.13	1.4%	29.31	1.3%	29.80	1.5%
Net PP&E	1,197.95	56.1%	1,142.87	51.0%	1,048.52	53.2%
<b>Total Assets</b>	<b>2,134.23</b>	<b>100.0%</b>	<b>2,239.34</b>	<b>100.0%</b>	<b>1,969.89</b>	<b>100.0%</b>
Current Liabilities	494.78	23.2%	622.26	27.8%	321.63	16.3%
Long-term Interest-bearing Debts	25.10	1.2%	35.30	1.6%	56.90	2.9%
<b>Total Liabilities</b>	<b>546.74</b>	<b>25.6%</b>	<b>684.92</b>	<b>30.6%</b>	<b>394.06</b>	<b>20.0%</b>
<b>Total Shareholders' Equity</b>	<b>1,587.49</b>	<b>74.4%</b>	<b>1,554.42</b>	<b>69.4%</b>	<b>1,575.83</b>	<b>80.0%</b>
<b>Key Indices</b>						
A/R Turnover Days	41		42		38	
Inventory Turnover Days	65		76		73	
Current Ratio (x)	1.7		1.6		2.7	
Asset Productivity (x)	1.0		0.9		1.0	

\* Total outstanding shares were 25,930mn units at 9/30/19.

\*\* Asset productivity = Annualized net revenue / Average net PP&E

# Cash Flows

<i>(In NT\$ billions)</i>	<b>3Q19</b>	<b>2Q19</b>	<b>3Q18</b>
<b>Beginning Balance</b>	<b>649.70</b>	<b>645.67</b>	<b>632.23</b>
Cash from operating activities	141.75	117.76	94.08
Capital expenditures	(98.12)	(116.35)	(69.95)
Cash dividends	(207.44)	0.00	(207.44)
Short-term loans	7.33	1.06	43.37
Investments and others	(40.79)	1.56	(3.56)
<b>Ending Balance</b>	<b>452.43</b>	<b>649.70</b>	<b>488.73</b>
Free Cash Flow <sup>(1)</sup>	43.63	1.41	24.13

(1) Free cash flow = Cash from operating activities – Capital expenditures



# 4Q19 Guidance

**Based on our current business outlook, management expects:**

- **Revenue to be between US\$ 10.2 billion and US\$ 10.3 billion**

**And, based on the exchange rate assumption of 1 US dollar to 30.6 NT dollars, management expects:**

- **Gross profit margin to be between 48% and 50%**
- **Operating profit margin to be between 37% and 39%**

# Recap of Recent Major Events



- **TSMC's N7+ Technology is First EUV Process Delivering Customer Products to Market in High Volume ( 2019/10/07 )**
- **TSMC Files Complaints Against GlobalFoundries in U.S., Germany and Singapore for Infringement of 25 Patents to Affirm its Technology Leadership and to Protect Its Customers and Consumers Worldwide ( 2019/10/01 )**
- **Arm and TSMC Demonstrate Industry's First 7nm Arm-based CoWoS® Chiplets for High-Performance Computing ( 2019/09/26 )**
- **TSMC Will Vigorously Defend its Proprietary Technology in Response to GlobalFoundries Complaints ( 2019/08/27 )**
- **TSMC Board of Directors Approves NT\$2.5 Cash Dividend for Second Quarter 2019 and Sets December 19 as Ex-Dividend Date, December 25 as the record date and January 16, 2020 as the distribution date ( 2019/08/13 )**
- **TSMC to Boost Recruitment by More Than 3,000 New Hires ( 2019/07/26 )**
  
- Please visit TSMC's website (<http://www.tsmc.com>) and Market Observation Post System (<http://mops.twse.com.tw>) for details and other announcements

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